

Saga Gender Pay Report 2018

Foreword



Dear all,

We welcomed the opportunity to report our findings in 2017 and saw it as an opportunity to test the effectiveness of our existing reward strategies and identify areas where we could improve.

I am writing to now report our 2018 gender pay figures. It's important that our employees know what the gender pay gap is, what it isn't, what actions we've taken since the last report and what actions we are focusing on to close our gap in the long term.

As a reminder, gender pay and equal pay often get confused but they are not the same thing. Gender pay looks at the difference between average pay of all men and women across the whole business, regardless of job types or how senior they might be. Equal pay looks at an unlawful pay gap between male and female employees carrying out the same roles with the same experience and skills, and is not a component of this report.

Our results show that we have broadly maintained our overall position when we compare our figures against our 2017 reportable numbers. This is somewhat

encouraging given the significant changes in our leadership team and the employee base during 2018. As a result, much of the narrative in this years' report is consistent with what was reported in 2017. However, there are some good positive improvements within our reportable numbers such as a decrease in our non-demographic pay gap and the improvement in both the pay and bonus gap for Saga Group Ltd.

Our gender gap continues to be driven by a gender imbalance of more male employees in senior, highly paid positions. Addressing representation is a medium to long term objective of our gender pay work stream. We are passionate about creating a diverse and inclusive culture where everyone succeeds; as such we continue to focus on creating opportunities in our senior leadership team and strengthening our succession pipeline.

Our reward principles support the work on gender pay and we are confident that men and women are paid fairly and equally for doing equivalent jobs across our business.

I confirm that the information and data provided is accurate and in line with mandatory requirements.

A handwritten signature in black ink that reads "Karen Caddick". The script is fluid and cursive.

Karen Caddick
Group HR Director

Saga – 2018 Gender Pay Report

Gender pay reporting legislation came into force in April 2017 and requires all UK employers with 250 or more employees to publish annual information illustrating pay differences between male and female employees.

At Saga, we are passionate about equality, diversity and inclusion and are committed to addressing our gender pay gap. We therefore welcome the new legislation and have embraced this as an opportunity to drive our focus on diversity forward.

Background to gender pay reporting

Under the new regulations, we are required to publish key gender pay metrics for our employing entities with 250 or more employees. In this report, we have gone a step further and assessed gender pay across the wider Saga Group (including our smaller entities). This helps us to understand pay and diversity across our organisation as a whole.

Our report therefore focusses on the group position, as this better represents our wider employee population. As required by law, separate disclosure by entity is included on the final page of this report.

How is the gender pay gap calculated?

The 'gender pay gap' is a metric that measures the difference in average hourly pay across all men and women across an organisation, by reference to both the mean and median figures.

The 'mean' is an arithmetic average of a set of numbers. The mean calculation considers basic average pay/bonus across all of our employees.

The median is the number in the middle of a set of ordered numbers. The median calculation focussing on those employees in the middle of pay/bonus ranges, thereby reducing the impact of our highest and lowest paid employees. The 'median' calculation reduces the significant impact of our most senior male employees, in order to provide a gender pay gap figure which is much more representative of the majority of our employees.

Difference between gender pay and equal pay

A **gender pay gap** is the difference between average male and female pay across an organisation, regardless of nature of work. This means that gender distribution across grades will be a significant driver of any gap.

An **equal pay gap**, on the other hand, refers to an unlawful pay gap between male and female employees carrying out the same roles with the same experience and skills.

A reminder of the actions we took in 2018

- Like many organisations, the representation of females in our upper pay quartile remains the key contributor to our gender pay gap in both pay and bonus. To continue to build our talent pipelines, we stepped up our leadership development programme and extended this to our future leaders, which saw 300 first line managers attend. We also established more mentoring relationships across the business and created individual development plans for our senior leaders.
- We continue to operate a set of Reward principles that keep our practices robust enough to ensure the decisions we make about pay are fair and equitable. The decrease in our non-demographic pay gap and bonus (1.1%) is encouraging and suggests that this close focus on pay during 2018, and addressing individual pay discrepancies against the market median has had a positive impact on closing the actual difference in pay between men and women.
- We continue to promote flexible working opportunities across the business, regardless of seniority. In 2018 we also launched a successful home-working pilot in our contact centres.
- Our onsite nursery at our head office continues to be well utilised.
- We also implemented a new recruitment system to better understand the gender and diversity mix of our candidates.

Gender distribution across salary quartiles

Saga's demographic (i.e. the gender makeup of our employee population across the grades) has a significant impact on our gender pay and bonus gaps. The charts on the right show the gender makeup of the Saga Group workforce in each of our four salary quartiles.

If we lined up every employee from the lowest paid to the highest paid and split them into four equal sized groups this gives us our salary quartiles.

The quartiles show that we have proportionally more women at the lower end of the pay spectrum, and more men at the upper end. This gender imbalance is a key driver of our gender pay and bonus gaps shown on the next page, and is something that we are working hard to address through our focus on the development and progression of talented individuals of all genders and backgrounds.

Lower quartile



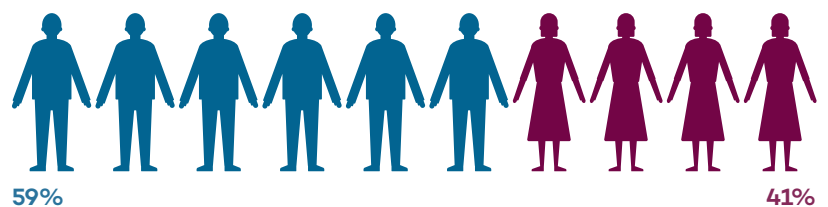
Lower middle quartile



Upper middle quartile

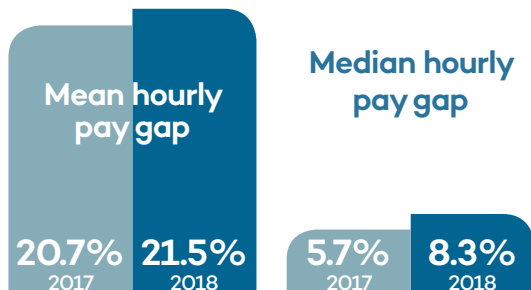


Upper quartile



Saga Group gender pay gaps

This table shows our mean and median hourly pay gaps, based on April 2018 payroll data.



As shown above, our median hourly pay and bonus gaps are much lower than the mean gaps.

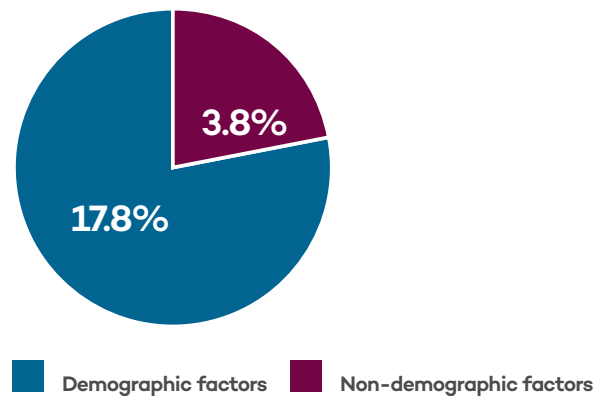
This is easily explained, as the median calculation reduces the significant impact of our most senior male employees, in order to provide a gender pay gap figure which is much more representative of the majority of our employees.

There were significant changes in our business during 2018, which have impacted our pay figures and as a result the increase in our median pay to 8.3% was expected. Whilst both the median pay for females and males in 2018 increased, the male median pay increased at a higher rate. Several factors contribute to this, including:

- A number of senior male hires;
- Several members of our leadership team who left were women;
- A large proportion of females being excluded from the calculation (we must exclude employees who do not receive normal pay due to sickness, unpaid absence or maternity);
- A decrease in the number of overall employees, with a higher proportion of these leavers being female.

We carried out further analysis to understand the impact of Saga's gender demographic on our pay gaps. This showed a significant proportion of our overall gap continues to be due to demographic factors, i.e. having more male employees in senior roles.

This year we've experienced a slight decrease in our non-demographic gap (1.1%) which is encouraging and suggests that the close focus on pay during 2018, and addressing individual pay discrepancies against the market median has had a positive impact on closing the actual difference in pay between men and women.

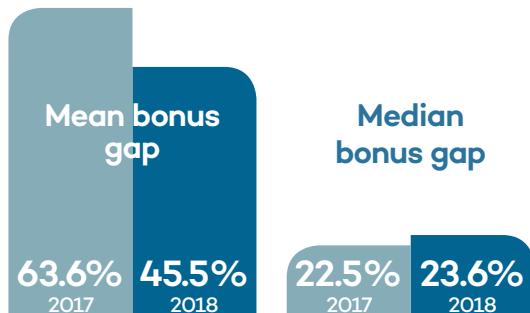


We are pleased that our 8.3% median hourly pay gap continues to be lower than the national average median pay gap of 18.4%* across all sectors.

*Based on Office for National Statistics Annual Survey of Hours and Earnings 2017

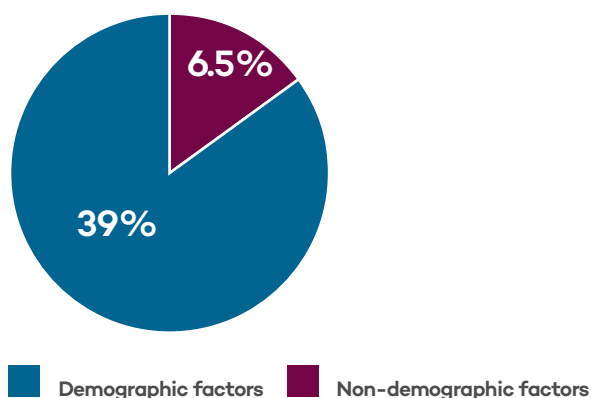
Saga Group gender bonus gaps

This table shows our mean and median bonus gaps, based on data from April 2017 to March 2018. As required by law, we have included annual bonus, commission and equity payments in these calculations. Men and women are offered the same opportunities to receive bonuses.



As our biggest contributing factor is over representation of male employees in our senior highly paid roles, we expect to see a similar correlation in both our pay and bonus numbers. This is due to most of our bonus and share awards being linked to a percentage of salary.

We are pleased to show that our non-demographic bonus gap has decreased, which again suggests a closer focus on pay and robust calibration of performance across the Group has had a positive impact.



In order to understand this gap further, we completed additional analysis on our bonus gap. As you can see from the table to the left the vast majority of our mean bonus gap (45.5%) was caused by our gender imbalance. Focusing on improving gender balance in our most senior roles continues to be our key focus in 2019.

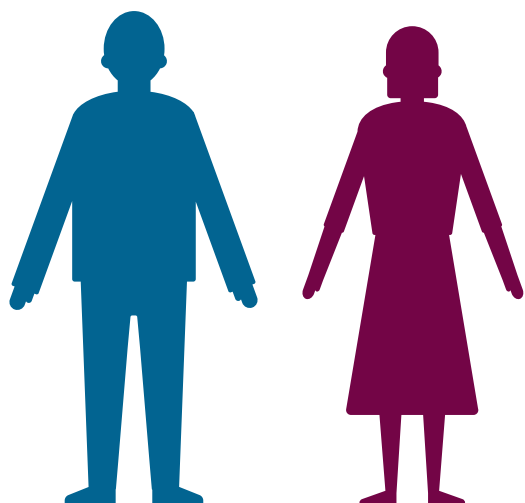
The change in mean bonus can be easily explained, as this is largely due to the high value share award to our Chief Executive in 2017, which had a significant impact on our overall gap in 2017.

Other factors that contribute to our bonus gap include individual performance, experience, our broad grading structure or historical pay decisions. However, it is positive to see a reduction in the actual difference in bonus payments between men and women.

We are proud to support and promote flexible working at Saga and as a result a large number of our employees work part-time. However, as we are required to use actual bonus amounts in our calculations (rather than full-time equivalent amounts), this was a key contributor to our 'median' bonus gap figure, particularly as the majority of our employees who work part-time are female.

Proportion of employees receiving a bonus

Across all Saga Group employees, 73.3% of men and 79.8% of women received a bonus in the 12 months prior to April 2018. This difference is due to a number of factors, such as the inclusion of commission payments in the calculation and we have a higher proportion of female employees in those roles which are able to earn commission. Given the nature of both our bonus and commission schemes being linked directly to performance this will also contribute to percentage of entitled employees receiving a bonus.



	Men	Women
2018	73.3%	79.8%
2017	68.3%	75.9%

Further actions we will be taking in 2019 to close the gap

We focussed on several actions during 2018 and these continue to be relevant this year.

We are committed to continually developing and improving our gender pay position. Our demographic analysis has shown that the key driver of our gaps is a lack of female representation in our most senior roles. This is therefore a key area of focus for us, and one which we are confident that the commitments below will help to tackle this.

- Implement a universal grading structure and introduce a published salary banding for all roles across Saga;
- Continue to promote flexible working opportunities which includes both hours and location;
- Provision of on- site childcare for Head Office employees;
- Targeted development programmes for high performers of all backgrounds, including mentorships, executive shadowing, internal and external training.

Individual Saga entities disclosure

The preceding information considers the Saga Group as a whole, taking into account all ten of our separate legal entities. This provides the most accurate representation of gender pay across our entire organisation. However, by law, we are required to separately disclose the key figures for each employing entity with over 250 employees, as set out below.

Saga is a diverse organisation, providing a wide range of products and services to our customers. Our different entities reflect these differences, which means that roles and employee structures vary significantly across our individual companies and therefore we expected to see gender pay and bonus figures which are unique to each entity, although our additional analysis showed that demographic was still a key driver of all of the gaps identified apart from in ST&H Group Limited where the median hourly pay was in favour of women.

Gender pay and bonus gaps:

Saga Group Limited			Saga Services Limited			ST&H Group Limited		
	2018	2017		2018	2017		2018	2017
Mean hourly pay gap	17.4%	22.0%	Mean hourly pay gap	17.7%	16.4%	Mean hourly pay gap	15.7%	13.1%
Median hourly pay gap	22.7%	25.6%	Median hourly pay gap	9.6%	5.6%	Median hourly pay gap	-3.0%	-3.5%
Mean bonus gap	28.1%	43.5%	Mean bonus gap	28.4%	30.7%	Mean bonus gap	46.7%	31.6%
Median bonus gap	32.3%	32.6%	Median bonus gap	21.6%	18.9%	Median bonus gap	21.7%	19.7%

Proportion of employees receiving a bonus:



Quartile pay bands 2018

Saga Group Limited			Saga Services Limited			ST&H Group Limited		
Pay quartile	Male	Female	Pay quartile	Male	Female	Pay quartile	Male	Female
Lower	40%	60%	Lower	40%	60%	Lower	25%	75%
Lower Middle	45%	55%	Lower Middle	38%	62%	Lower Middle	63%	38%
Upper Middle	57%	43%	Upper Middle	48%	52%	Upper Middle	30%	70%
Upper	62%	38%	Upper	54%	46%	Upper	50%	50%